



GASEGONYANA MUNICIPALITY
Annual financial statements
for the year ended June 30, 2009

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

General Information

Executive committee

Councillors

VE Makoke - Mayor
KG Olepeng - Speaker
FP Byleveld
EB Modise
TE Meyers
OG Monaki
KD Pedinyane
KA Keikabile
OA Gaetsewe
BE Leserwane
CS Riet
J Motaung
KG Mosikatsi
BA Motlatsi
OD Nosang
M Brink
NG Morogong
BM Mosegedi

Grading of local authority

Grade 3

Members of Finance Standing Committee

VE Makoke - Chairperson
OD Nosang
BA Motlatsi
OA Gaetsewe

Registered office

Municipal Offices
Courner of Voortrekker and Skool Street
KURUMAN

Postal address

Private Bag X 1522
KURUMAN
8460

Bankers

ABSA Bank, Kuruman

Auditors

The Auditor General

Municipal Manager

Mr AE Gaborone

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Index

The reports and statements set out below comprise the annual financial statements presented to the Stakeholders, Management and Council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 14
Notes to the Annual Financial Statements	15 - 24

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income statement	25
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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GRAP	Generally Recognised Accounting Practise

A report of the accounting officer has not been prepared as the municipality is a wholly owned subsidiary of which is incorporated in South Africa.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 34.

The annual financial statements set out on pages 4 to 25, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2009 and were signed on its behalf by:


Accounting Officer

2009/08/31

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Inventories	4	4,044,844	4,327,164
Receivables	5	25,745,895	25,139,983
Short term investment-shares		-	5,000,000
Cash and cash equivalents	7	1,053,884	4,519,431
		30,844,623	38,986,578
Non-Current Assets			
Fixed Assets	2	155,194,251	46,271,133
Long Term Debtors		-	776,923
Investments	3	358	358
		155,194,609	47,048,414
Total Assets		186,039,232	86,034,992
Liabilities			
Current Liabilities			
Payables	13	2,720,699	8,423,789
Provisions	9	3,478,007	2,355,233
Loans -Short term portion		4,293,349	3,303,594
		10,492,055	14,082,616
Non-Current Liabilities			
Consumer Deposits	10	1,480,532	1,328,847
Long Term Liabilities	11	37,303,789	36,140,182
Unspent Conditional Grant	12	8,597,054	12,000,301
		47,381,375	49,469,330
Total Liabilities		57,873,430	63,551,946
Net Assets		128,165,802	22,483,046
Net Assets			
Capital replacement reserve		109,280,727	-
Capitalisation reserve	8	-	6,290,044
Accumulated Funds		-	15,505,324
		109,280,727	21,795,368
Retained Surplus		18,885,075	687,678
Total Net Assets		128,165,802	22,483,046

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Statement of Financial Performance

Figures in Rand

	Note(s)	2009	2008
Revenue			
Operating expenses		109,634,658	101,962,401
Operating surplus		(109,166,533)	(94,292,192)
Interest on Arrears Account		468,125	7,670,209
Finance costs		187,276	224,928
(Deficit) surplus for the year		(7,709,087)	(7,035,170)
		(7,053,686)	859,967

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Accumulated Funds	Reserves	Retained surplus	Total reserves	Accumulated Funds	Total net assets
Balance at 01 July 2007	-	15,195,227	8,034,894	3,080,069	26,310,190	(13,571,344)	12,738,846
Changes in net assets	-	-	-	-	-	-	-
Appropriations for the year	-	-	-	-	-	-	-
Increase in Statutory Funds	-	310,097	-	(3,252,371)	(3,252,371)	-	(3,252,371)
Decrease in Reserve	-	-	-	-	310,097	-	310,097
Surplus for the year	-	-	(1,744,450)	-	(1,744,450)	-	(1,744,450)
Net income (expenses)	-	-	-	859,980	859,980	-	859,980
recognised directly in net assets	-	310,097	(1,744,450)	(2,392,391)	(3,826,744)	-	(3,826,744)
Total recognised income and expenses for the year	-	310,097	(1,744,450)	(2,392,391)	(3,826,744)	-	(3,826,744)
Accumulated surplus for the year	-	-	-	3,080,069	3,080,069	-	3,080,069
Total changes	-	310,097	(1,744,450)	687,678	(746,675)	-	(746,675)
Balance at July 1, 2008	-	15,505,324	6,290,044	687,678	22,483,046	(13,571,344)	8,911,702
Changes in net assets	-	-	-	-	-	-	-
Decrease in Reserves	-	-	(597,720)	-	(597,720)	-	(597,720)
Increase in Accumulated Funds	-	647,289	-	-	647,289	-	647,289
Transfer of Loans Redeemable	-	172,923,286	-	-	172,923,286	-	172,923,286
Write off of Internal Loans	-	-	-	-	-	-	-
Net income (expenses)	-	-	-	1,595,727	1,595,727	-	1,595,727
recognised directly in net assets	-	647,289	(597,720)	1,595,727	174,568,582	-	174,568,582
Surplus for the year	-	-	-	(7,053,686)	(7,053,686)	(7,053,686)	(14,107,372)
Total recognised income and expenses for the year	-	647,289	(597,720)	(5,457,959)	167,514,896	(7,053,686)	160,461,210
Transfer to Retained Surplus	-	(16,152,613)	(5,692,324)	21,844,937	-	-	-
Transfer of prior year creditors	-	-	-	1,810,417	1,810,417	-	1,810,417
Current period write off	-	(63,642,559)	-	-	(63,642,559)	-	(63,642,559)
Total changes	-	(15,505,324)	(6,290,044)	18,197,395	105,682,754	(7,053,686)	98,629,068
Balance at June 30, 2009	-	109,280,727	(6,290,044)	18,197,395	128,165,802	(20,625,030)	107,540,772
Note(s)	-	-	-	18,885,075	128,165,802	(20,625,030)	107,540,772

8

GASEGONYANA MUNICIPALITY**CASH FLOW STATEMENT**

as at 30 June 2009

Figures in Rand

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		219,794,023	59,337,093
Sales of goods and services		46,916,502	39,308,839
Grants		34,285,652	15,745,085
Interest received		187,276	1,884,225
Other receipts		138,404,593	2,398,944
Payments			
Employee costs		121,489,815	51,816,483
Suppliers		33,301,637	30,083,113
Interest paid		44,534,513	11,842,958
Other payments		7,709,087	4,203,631
		35,944,578	5,686,781
Net cash flows from operating activities		98,304,208	7,520,610
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement of fixed assets		(108,923,118)	
Purchase of investments			(14,141,233)
Proceeds from sale of investments		5,000,000	
Purchase of foreign currency securities		-	
Net cash flows from investing activities		(103,923,118)	(14,141,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		5,987,602	7,102,431
Repayment of borrowings		(3,834,239)	(2,898,800)
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		2,153,363	4,203,631
Net increase / (decrease) in net cash and cash equivalents		(3,465,547)	(2,416,992)
Net cash and cash equivalents at beginning of period		4,519,431	6,936,423
Net cash and cash equivalents at end of period		1,053,884	4,519,431

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting of Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 16	Investment Property
GRAP 17	Property, Plant & Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities & Contingent Assets
GRAP 23	Revenue from Non Exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 100	Non - Current Assets Held for Sale & Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous annual financial statements.

Assets, Liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item
Infrastructure

Average useful life

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.1 Property, plant and equipment (continued)	
• Electricity	30 years
• Roads	15 years
• Water	20 years
• Gas	20 years
• Sewerage	20 years
• Pedestrian malls	20 years
• Airports	20 years
• Security Measures	5 years
• Access Control Systems	5 years
Community Assets	
• Buildings and other Assets	30 years
• Recreation facilities	20 years
Buildings	30 years
• Abattoirs	30 years
Plant and machinery	
• Graders	10 - 15 years
• Tractors	10 - 15 years
• Firearms	5 years
• Filling Equipment	15 years
Furniture and fixtures	
• Chairs	7 - 10 years
• Tables and desks	7 - 10 years
• Cabinets and cupboards	7 - 10 years
Motor vehicles	
• Ambulances	5 - 10 years
• Fire Engines	20 years
• Buses	15 years
• Trucks and light delivery vehicles	5 - 7 years
• Motor cycles	3 years
Office equipment	
• Computer Hardware	5 years
• Computer Software	3 - 5 years
• Office Machines	3 - 5 years
• Air Conditioners	5 - 7 years
Bins and containers	
• Household refuse bins	5 years
• Bulk refuse containers	10 years
Emergency Equipment	
• Fire Hoses	5 years
• Other fire- fighting equipment	15 years
Heritage Assets	
• Works of Art	0

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.2 Financial instruments

Initial recognition

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

Receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other receivables are classified as loans and receivables.

Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

1.3 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.3 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.4 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.5 Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.6 Provisions and Contingent Liabilities

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.6 Provisions and Contingent Liabilities (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

1.7 Types of revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.8 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.9 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

All expenditure relating to unauthorised, irregular or fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Presentation of Currency

These annual financial statements are presented in South african Rand and are rounded to the nearest Rand.

1.13 Reserves

Capitalisation reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1.14 Post Balance Sheet Events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

2009

2008

2. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Abattoirs	8,189	(4,370)	3,819	-	-	-
Art Works & Biological Assets	458,737	-	458,737	-	-	-
Car Parks	1,109,837	(266,476)	843,361	-	-	-
Cemetries	20,000	(4,002)	15,998	-	-	-
Clinics & Hospitals	61,463	(32,407)	29,056	-	-	-
Community Centres	899,964	(91,879)	808,085	-	-	-
Compressors	79,433	(76,731)	2,702	-	-	-
Computer & Telecommunication Equipment	2,631,404	(1,709,242)	922,162	-	-	-
Computer Software	1,979,668	(1,681,762)	297,906	-	-	-
Electricity	36,279,111	(7,676,418)	28,602,693	-	-	-
Fencing	416,152	(287,310)	128,842	-	-	-
Fire Equipment	102,192	(31,988)	70,204	-	-	-
Floodlighting	399,042	(188,111)	210,931	-	-	-
Footways	1,190,992	(474,700)	716,292	-	-	-
Graders	2,503,226	(1,031,708)	1,471,518	-	-	-
Household Refuse bins	292,675	(268,358)	24,317	-	-	-
Housing Schemes	5,404,347	(1,250,710)	4,153,637	-	-	-
Kerbing	84,714	(22,664)	62,050	-	-	-
Laboratory Equipment	47,027	(47,021)	6	-	-	-
Land	5,299,906	-	5,299,906	-	-	-
Lawnmowers	350,147	(350,119)	28	-	-	-
Load Control Equipment	1,295,543	(817,757)	477,786	-	-	-
Medical Equipment - Clinics	4,221	(3,944)	277	-	-	-
Office Buildings	22,469,555	(3,382,786)	19,086,769	-	-	-
Office Furniture & Equipment	5,903,557	(3,725,000)	2,178,557	-	-	-
Plant & Equipment General	4,693,344	(2,992,404)	1,700,940	-	-	-
Public Facilities	313,310	(94,646)	218,664	-	-	-
Recreational centres & facilities	11,668,499	(1,910,863)	9,757,636	-	-	-
Roads & Street Works	22,758,280	(10,071,231)	12,687,049	-	-	-
Runways	60,789	(45,351)	15,438	-	-	-
Security Systems	436,674	(148,499)	288,175	-	-	-
Sewerage Pumps & Storm water drains	27,238,103	(6,649,956)	20,588,147	-	-	-
TIP Sites	893,168	(33,774)	859,394	-	-	-
Training & educational facilities	233,689	(48,664)	185,025	-	-	-
Transformer Kiosks	392,865	(17,244)	375,621	-	-	-
Transport Facilities	1,064,300	(284,931)	779,369	-	-	-
Vehicles & Trailers	14,492,782	(7,967,757)	6,525,025	-	-	-
Water & Purification works	46,769,974	(11,576,343)	35,193,631	-	-	-
Workshops & Depots	228,744	(74,246)	154,498	-	-	-
Total	220,535,623	(65,341,372)	155,194,251	-	-	-

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Abattoirs	4,092	-	(273)	3,819
Biological Assets and Artworks	458,737	-	-	458,737
Car Parks	898,853	-	(55,492)	843,361
Cemetries	16,665	-	(667)	15,998
Clinics and Hospitals	61,463	-	(32,407)	29,056
Community Centres	838,084	-	(29,999)	808,085
Compressors	3,602	-	(900)	2,702

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

			2009	2008
2. Property, plant and equipment (continued)				
Computer Software	537,148	18,060	(257,302)	297,906
Computer and Telecommunication Equipment	714,618	501,008	(293,464)	922,162
Electricity	24,369,363	5,906,823	(1,673,493)	28,602,693
Fencing	107,758	105,700	(84,616)	128,842
Fire Equipment	80,281	-	(10,077)	70,204
Floodlighting	230,883	-	(19,952)	210,931
Footways	775,935	-	(59,643)	716,292
Graders	1,660,710	-	(189,192)	1,471,518
Household Refuse Bins	65,162	-	(40,845)	24,317
Housing Schemes	4,333,782	-	(180,145)	4,153,637
Kerbing	51,373	14,913	(4,236)	62,050
Laboratory Equipment	6,282	-	(6,276)	6
Land	5,299,906	-	-	5,299,906
Lawnmowers	3,526	-	(3,498)	28
Load Control Equipment	542,563	-	(64,777)	477,786
Medical Equipment-Clinics	367	-	(90)	277
Office Buildings	19,835,758	-	(748,989)	19,086,769
Office Furniture & Equipment	2,589,251	137,067	(547,762)	2,178,556
Plant and Equipment General	949,772	1,178,032	(426,864)	1,700,940
Public Facilities	229,115	-	(10,451)	218,664
Recreational Centres and Facilities	10,161,589	85,388	(489,341)	9,757,636
Roads and Streetworks	14,564,842	200,191	(2,077,985)	12,687,048
Runways	18,477	-	(3,039)	15,438
Security Systems	374,364	-	(86,189)	288,175
Sewerage pumps and stormwater drains	20,911,043	1,043,573	(1,366,469)	20,588,147
Tip Sites	889,165	-	(29,772)	859,393
Training and educational facilities	192,814	-	(7,789)	185,025
Transformer Kiosks	355,312	33,406	(13,096)	375,622
Transport Facilities	814,846	-	(35,477)	779,369
Vehicles and Trailers	6,206,073	2,568,566	(2,249,613)	6,525,026
Water Purification and Works	24,908,857	12,645,426	(2,360,651)	35,193,632
Workshops and Depots	164,462	-	(9,964)	154,498
	144,226,893	24,438,153	(13,470,795)	155,194,251

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Investments

Unlisted Shares

South West

358

358

Circular no C.35 of 1994 issued by Provincial Administration - Community Service Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments

4. Inventories

Stock

4,044,844

4,327,164

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
5. Receivables		
Advance Salaries		
Advance wages	5,988	8,249
Advanced councillors	(5,408)	7,095
Cash Advance	13,422	26,447
Consumer Debtors	-	3,620
Debtors- Eskom	17,020,121	14,595,918
Debtors-Sheriff	82,150	82,150
Control Vote	38	38
General Sundries	660,375	-
Interest of investment	31,019	947,427
Short term portion of Long Term Debtors	-	127,268
Sundries	-	45,178
VAT	1,493,562	1,882,685
	6,444,627	7,413,908
	25,745,895	25,139,983
6. Consumer debtors		
Gross balances		
Total Consumer Debtors	19,197,126	15,778,021
Less: Provision for bad debts		
Total Consumer Debtors	(2,177,004)	(1,182,103)
Net balance		
Total Consumer Debtors	17,020,121	14,595,918
Rates		
Current (0 -30 days)		
31 - 60 days	3,178,490	-
61 - 90 days	1,298,298	-
91 - 120 days	867,817	-
	13,852,521	-
	19,197,126	-

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances - Current Account	939,843	4,292,345
Bank balances - TMT Account	110,321	227,086
Other cash and cash equivalents	3,720	-
	1,053,884	4,519,431

The Municipality has the following bank accounts:

Current account (Primary bank account)

ABSA Bank - Kuruman Account Number: 40 5218 3325 .

Cheque Account (TMT Account)

ABSA Bank - Kimberly Account Number: 40 6020 4391

8. Capitalisation reserve

Capital Cont	-	4,564,337
Capital Interest	-	1,725,707
	-	6,290,044

9. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay	2,355,232	-	(997,778)	1,357,454
Provision for bad debts	-	2,120,553	-	2,120,553
	2,355,232	2,120,553	(997,778)	3,478,007

Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Leave Pay	1,781,338	573,894	2,355,232
Electricity & Water		1,480,532	1,328,847

There are no guarantees in the place of consumer deposits.

11. Long Term Liabilities

External Loans - Long Term Portion	37,303,789	36,140,182
External Loans - Short Term Portion	4,293,349	3,303,594
Internal Loans	-	2,275,470
	41,597,138	41,719,246

External loans were advanced by various Government approved institutions are repayable over periods from 5 to 30 years. They bear interest at rates from 2% to 15.85%.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
12. Unspent Conditional Grant		
Amogelang Early Childhood	1,238,864	1,200,000
B/B High Mast Lighting	119,243	115,501
Ba Ga Motihware Housing	(401,646)	(401,646)
Bankhara	97,303	94,250
Call Centre	270,272	378,028
Cleaning and Cleansing	10,750	34,774
Cleaning and Greening	22,344	15,212
DWAR Water Refurbishment	209,525	202,952
Dry Nation	3,078	2,982
EPWP Roads	6,560	6,353
Electricity Mothibistad	8,465	8,199
FMG	687,763	151,076
Gravel Quarry Rehabilitaion	55,463	53,723
High Mast Lights	51,544	49,927
Housing Debt	295,199	285,939
IDO/LDO	-	975
KDM Water B/B	294,992	285,738
LED Nature Reserve	4,952	4,797
LGTG General	244,569	236,896
Land Development	9,434	9,138
Library	3,716	8,452
Library NC	-	3,535
MIG B/B Main Outfall Sewer	(1,517,885)	(1,168,489)
MIG Batlharos UPG Water	(4,750,804)	(2,888,694)
MIG ConstBulk Sewer	(4,265,063)	(4,265,063)
MIG Funds Park	395,738	383,323
MIG Geelboom UPG Water	(405,536)	(330,676)
MIG High Mast Lights	(4,978,928)	(1,326)
MIG Income	4,480,051	4,339,985
MIG Income	41,598,162	25,959,002
MIG Landfill Site	(881,168)	(881,168)
MIG Magojaneng UPG Water	(5,188,614)	(2,126,175)
MIG Mapoteng Water	(153,683)	-
MIG Mothibistad phase 1	(425,492)	-
MIG Pietbos UPG Water	(301,640)	(4,254)
MIG Project Management	(1,362,814)	(634,616)
MIG Road	(3,587,158)	(3,386,966)
MIG Savings	301,774	292,307
MIG Seeding IPG Water	(3,456,735)	(1,340,958)
MIG Sport	(786,307)	(786,307)
MIG Upgrading Sewer	(8,123,912)	(7,541,097)
MIG VIP Ward 7	(339,445)	-
MIG Vergenoeg VIP	(457,526)	-
MIG W/Ville Bulk Sewer	(274,428)	(274,428)
MIG W/Ville Bulk Water	(209,952)	(209,952)
MIG Water & Sanitation	(455,921)	-
MIG Watermeters B/B	(134,020)	(134,020)
MSIG Grant - LED/IDP	24,522	23,753
MSIG Grant - PMS	11,431	36,048
MSIG Grant - Procurement	25,096	24,308
MSIG Grant - Training	6,567	32,085
MSIG Grants - HIV/AIDS	688	667
MSIG Grants - HR Management	39,041	46,398
MSIG Income	301,769	395,994
MSIG Record Management	22,244	21,547
Mothibistad Housing	(341,112)	(349,884)
Municipals Systems Program	94,435	91,473
RDP Projects	31,297	32,369
Roads Bankara	6,969	6,750

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
12. Unspent Conditional Grant (continued)		
Seeding Housing	95,293	2,397,801
Sportground Maruping	27,831	77,614
Sports Complex Bankara	93,198	90,273
TGIS	2,072	2,006
Traffic Filling Cabinets	7,761	7,518
Water B/B	256,130	248,094
Water Feasibility	(159,265)	967,948
Water Galotolo	2,346	2,273
Wonderwerk Cave	97,658	98,037
	8,597,055	12,000,301
13. Payables		
Creditors -Mayoral Projects	-	4,766
Creditors Advance	-	197,810
Creditors in suspense	-	375
Creditors-DWAF water week	-	47,360
Deposits	763,045	701,792
Retention Fee- Kakeo electricity	46,432	46,432
Retention Fee- MA & R Construc	43,346	43,346
Retention Fee-Atamelang	1,189	1,189
Retention Fee-Geremane	6,840	6,840
Retention Fee-Lobelo Elec	19,550	19,550
Retention Fee-Morula Projects	4,263	4,263
Retention Fee-Southern Kalahari	39,015	39,015
Retention Fee- Inenzo Waters	365,561	888,367
Retention Fee- Kagontle	157,438	122,348
Retention Fee- Kwetwayo	-	8,900
Retention Fee- Moshewa	47,982	47,982
Retention Fee- agisane civ	494,786	494,786
Retention Fee-Bophirima	273,001	273,001
Retention-Khoisan	153,413	153,413
Retention-Kimcorp	84,954	84,954
Retention-Quantibuild	212,911	212,911
Sundry Creditors	-	18,379
Turnstone	6,973	6,973
Unclaimed Cash	-	7,729
Unclaimed Wages	-	2,427
Unknown Deposits	-	4,988,881
	2,720,699	8,423,789

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
14. Property Rates		
Rates received		
Residential and commercial	10,808,856	11,359,662
15. Rendering of Services		
Sale of electricity & water	41,184,070	33,262,108
16. Government grants and subsidies		
Equitable Share	28,144,151	24,631,063
Department of Water and Forestry	3,276,750	-
Municipal Systems Improvement Grant	2,864,750	3,251,100
	34,285,651	27,882,163
17. General expenses		
Advertising	204,743	156,924
Assessment rates & municipal charges	6,151,183	6,134,340
Auditors remuneration	1,249,732	1,074,848
Bank charges	465,379	196,209
Chemicals	160,346	183,242
Cleaning	268,778	232,765
Computer expenses	71,962	58,123
Consulting and professional fees	2,549,035	2,778,795
Debt collection	-	14
Delegation Costs	729,761	581,658
Disaster Management	559,982	715,823
Electricity	3,031,955	3,384,358
Entertainment	675,511	1,314,752
Insurance	952,706	735,271
Lease rentals on operating lease	851,150	1,147,774
License fee	35,712	28,052
Magazines, books and periodicals	438,933	324,621
Medical expenses	18,413	5,216
Other expenses	3,371,739	3,752,969
Outsource Expense	387,731	122,816
Pension & Gratification	652,887	595,768
Printing and stationery	593,569	477,875
Property only	2,456,393	1,149,061
Rates & Taxes	-	1,078,759
Redemption Annuity	277,920	133,843
Refuse	525,162	562,616
Repairs	-	(959)
Security (Guarding of municipal property)	330	997
Seminar Costs	892,026	404,777
Sewerage and waste disposal	4,685	5,000
Subscriptions and membership fees	127,512	135,812
Telephone and fax	199,899	156,037
Tourism development	503,035	444,021
Training	57,206	39,193
Veterinary department	294,391	255,131
Water	159,308	-
	9,462,349	9,469,445
	38,381,423	37,835,946

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
18. Employee related costs		
Acting allowances		
Basic	421,906	323,701
Bonus	21,825,521	19,645,923
Group Insurance	1,379,021	1,195,525
Housing benefits and allowances	398,461	388,378
Long-service awards	374,613	384,644
Medical aid - company contributions	48,843	106,877
Overtime payments	1,338,055	1,310,549
Post-employment benefits - Pension - Defined contribution plan	942,223	849,926
Short term benefit	3,646,695	3,270,643
Travel, motor car, accommodation, subsistence and other allowances	8,846	8,067
UIF	2,692,812	2,391,012
	224,641	207,875
	33,301,637	30,083,120
Remuneration of Municipal Manager		
Total Cost to Company	700,000	640,000
Remuneration of Chief Finance Officer		
Total Cost to Company	560,000	492,000
Remuneration of Technical Service Officer		
Total Cost to Company	560,000	492,000
Remuneration of Corporate Services Officer		
Total Cost to Company	560,000	492,000
Remuneration of Community Services Officer		
Total cost to company	560,000	492,000
19. Remuneration of councillors		
Executive Mayor		
Speaker	558,722	464,835
Exco Councillors	457,514	374,414
Councillors	1,139,000	585,000
	1,938,000	1,804,000
	4,093,236	3,228,249
20. Impairment of assets		
An assesement was done on the assets of the municipality. There was no indication that the assets have to be impaired.		
21. Bulk purchases		
Electricity	15,620,943	12,685,915

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
22. Net Cash Flow from Operating Activities		
(Deficit) surplus before taxation		
Adjustments for:	(7,053,686)	859,967
Depreciation and amortisation		
Interest received	1,698,815	-
Finance costs	(187,276)	(1,884,225)
Movements in provisions	7,709,087	6,960,465
Changes in working capital and reserves	1,122,775	-
Inventories		
Receivables	282,320	(937,400)
Payables	171,011	(1,341,415)
Changes in Funds & Reserves	(8,281,878)	(2,603,678)
	102,843,040	6,466,896
	98,304,208	7,520,610

23. Commitments

Capital Commitments

Project Name:

• Magojaneng: Upgrading of Water	50,000	-
• Seoding: Upgrading of Water Network	80,000	-
• Mothibistad: Phase 1	2,500,000	-
• Mapoteng: Water Networks Extensions	2,275,858	-
• Vergenoeg VIP	800,000	-

24. Contingent Liabilities

Management have identified no contingent liabilities in the current year.

25. Related Party Transactions

Loans to Related Parties

Management have identified no related party transactions that require note disclosure in the annual financial statements.

26. Going concern

We draw attention to the fact that at June 30, 2009, the municipality had accumulated deficits of R (20,625,030) and that the municipality's total liabilities exceed its assets by R 128,165,802.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

27. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1,249,732	1,074,848
Amount paid - current year	(1,249,732)	(1,074,848)
	-	-

PAYE and UIF

Amount paid - current year	224,641	207,875
Amount paid - previous years	(224,641)	(207,875)
	-	-

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
27. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	1,957,069	1,924,053
Amount paid - current year	(1,957,069)	(1,924,053)
	-	-

VAT

Vat is payable on the receipts basis. Only once payment is received from debtors is vat paid over to SARS.

28. Appropriations

Appropriations

Accumulated Surplus at the beginning of the year

Surplus/(Deficit) for the year

Adjustments:

Traffic Fines	687,678	3,080,069
Correction of levies	(7,053,686)	859,980
Creditors	-	323,823
Combined Systems	-	5,077
Backpay - Councillors	1,810,417	(63,696)
Net Result : Stores and storage	-	(123,633)
Leave Provision	-	(53,072)
Planning, Survey fund deficit	-	(460,660)
Retention older than 3 years	-	(9,969)
Long term debtor Andrews	-	(19,562)
Mothibistad Housing VAT	-	814,559
Sedibeng Water	-	2,624
CICS	-	(2,668,971)
Sundries	-	(854,250)
Internal Loan Write -Off	-	(251,184)
Transfer of Reserves	1,595,727	106,543
Transfer of Accumulated Funds	5,692,324	-
	16,152,613	-
	18,885,073	687,678

29. Post Balance Sheet Events

No events subsequent to balance sheet date have been identified.

GASEGONYANA MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2009

Detailed Income statement

Figures in Rand

	Note(s)	2009	2008
Revenue			
Property Rates			
Fines		10,808,856	11,359,662
Government grants		2,283,682	3,931,506
Interest received - arrear account	16	34,285,652	27,882,163
Licences and permits		187,276	224,928
Service Charges		4,285,708	3,387,202
Other Income		5,729,101	4,983,428
Rendering of Services		9,925,494	15,393,873
Rental Income	15	41,184,070	33,262,108
Total Revenue		1,132,095	1,762,459
		109,821,934	102,187,329
Expenditure			
Employee related costs			
Depreciation and amortisation	18	(33,301,637)	(30,083,120)
Finance Costs		(1,698,815)	-
Bad debts		(7,709,087)	(7,035,170)
Repairs and maintenance		(2,120,553)	-
Purchase of Electricity		(18,043,162)	(13,687,211)
General Expenses	21	(15,620,943)	(12,685,915)
Total Expenditure	17	(38,381,423)	(37,835,946)
		(116,875,620)	(101,327,362)
(Deficit) surplus for the year		(7,053,686)	859,967
Attributable to:			
Net Asset holders of the controlling entity		(7,053,686)	859,967